THE AID PROGRAM IN VIETNAM

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OFFICE OF VIETNAM AFFAIRS
AGENCY FOR INTERNATIONAL DEVELOPMENT
DEPARTMENT OF STATE

Dec 65
Washington, D.C.

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Objectives:

To bring relief, essential governmental services and short term development to peasantry in rural areas, and to certain significant urban groups.

To help maintain economic stability, e.g., curbing inflation, providing essential commercial imports, and financing defense budget.

To assist in political development and social reform at all levels, using aid as a carrot, a stick, or a vehicle for action as feasible under varying conditions.

To help build essential institutions for the future, e.g., medical college, equitable credit systems, improved fiscal procedures, industries.

Mission Structure:

Approximately 800 Americans, 200 Filipino and Chinese (Taiwan) technicians (about 400 of this 1000 are in provinces) and 1200 local Vietnamese employees are deployed as follows:

(a) Provincial Operations - two resident representatives in each of the 43 provinces and at each of the 4 Regional Headquarters supported by a special staff in Saigon.

(b) Support staffs (e.g., Logistics and Controller) - charged with maintaining administrative, supply and financial support to all provincial and other activities.

(c) Technical divisions (e.g., agriculture, health, education, public works and police) - maintaining specialized services, such as surgical-medical teams, communications installation and repair teams, a corps of specialized technicians and administrators at regional centers or traveling from Saigon on spot assignments, and senior advisors to assist Vietnamese ministries in Saigon.

See TAB A for organizational charts and personnel breakdown.

Program Activities: (See TAB B for Funding Summary)

Counter-Insurgency - a flexible complex of projects and sub activities (included, along with others, in TAB C) ranging from refugee relief and new hamlet schools, to rural development, repair of sabotaged roads and railroads, and police equipping, training and expansion. Many of the activities directly support military civic action and psy-war, e.g., our financial and commodity support of the 150 US military "sub-sector" (district) teams. Our commodities stockpiled in country or on call-forward arrangements provide a quick reaction capability for responding to emergency needs such as over-run villages, epidemics, etc. We maintain a substantial civil airlift under contract but the US military is providing much additional airlift. In this category, our police program is making possible the increase in the National Police from 22,000 in early 1964 to 72,000 by the end of 1966 (currently 44,000).

Commercial Import Program and Title I, PL 480 Sales - AID finances foreign exchange costs of essential imports in response to commercial market demand exceeding Vietnamese foreign exchange earnings or safe reserve draw downs. These imports include steel, trucks, fertilizer, cement, medicines, etc. PL 480 sales provide raw cotton, condensed milk, flour, and now rice because of VC interdiction of much of the locally produced rice. Increasingly reduced GVN foreign exchange earnings require AID to finance over two-thirds of Vietnam's commercial imports, without which the economy - and the war effort - would collapse. The commercial importers pay into a GVN "counterpart" fund the official piaster value of these goods. This counterpart fund has for many years financed over half of the GVN military budget. TAB D lists FY 1965 imports into Vietnam.

Long Range Economic and Social Development - has necessarily been greatly curtailed because of overriding military and civil counter-insurgency demands on Vietnamese leadership skills and other resources. Nevertheless, certain of these activities have been continued if they appeared to have current benefits to the war effort (e.g., medical education, trade schools, improved water and electricity for Saigon and certain towns), or if they provided symbols of progress and hope for the future. Efforts to attract substantial US private industrial investment (with various AID guarantees and assistance) have been largely unproductive. However, we still hope to induce a large US firm to go ahead with a refinery, to get a US bank to open a branch in Vietnam, and to secure private participation in such ventures as low-cost urban housing, fertilizer and cement production and small business ventures.

Political Development - Our basic purpose is to help the Vietnamese leadership build government at all levels which can win the respect and support of patriotic Vietnamese. AID people and goods are directed

toward stimulating a rapid evolution of responsible and responsive government, particularly at the provincial and district level. For instance, in some 8,000 "self-help" projects, we insist that the District Chief secure the consensus of the villagers (e.g., a well, bridge, school, market place, road, etc.) as the guide to expenditures of AID or Vietnamese funds. We then furnish the commodities and advice required to complete the project in partnership with local labor and materials. This involvement of the people in the decisions of local governments - sometimes for the first time ever - should enhance the image of the GVN (in contrast to the VC) in the eyes of the peasants and start to lay the basis for semi-democratic political processes. Our activities with students, labor, Montagnards, cooperatives, etc., also support GVN political objectives.

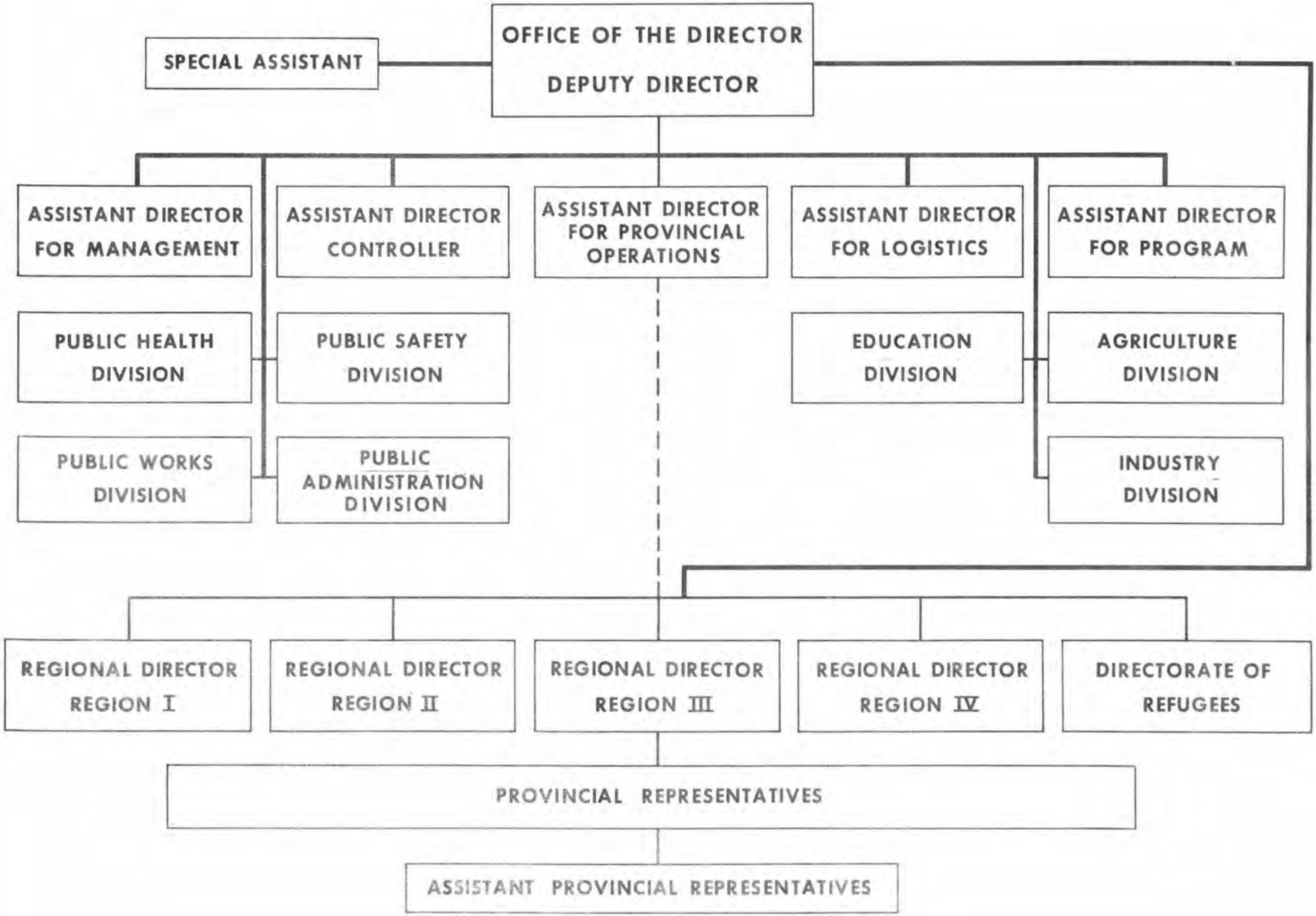
Limitations - It is important to keep in perspective what economic and social aid can and cannot accomplish. For instance:

(a) Lack of Security - In many areas where our economic and social aid produced material, psychological, political and security results, massive VC terrorism or military action have largely negated our civil accomplishments. Our programs cannot succeed without at least minimum security. For instance, in Quang Ngai Province which has been a Communist stronghold for 20 years - our pacification efforts along with effective para-military operations had established through May 1965 some 161 new rural life hamlets which were operating well, helping defend themselves, providing intelligence, etc. Large scale VC action during the early summer months has destroyed or occupied all but 93 of these and produced 100,000 refugees (15% of the total province population).

(b) GVN Inexperience - To win the political battles of this kind of war, we must strengthen, not replace, the Vietnamese Government in the eyes of its people, the VC and the world. Yet, the continuous Vietnamese political turmoil, factionalism and administrative inexperience prevent or delay the meeting of many of the minimum needs of the people through the GVN. For instance, we train hundreds of VN health workers, provide supplies and equipment, secure GVN budget provisions for local costs and yet these workers somtimes aren't paid for months at a time.

Again, we urge and advise and offer assistance on land reform for years, yet changing governments, political pressures from land owners in and out of government, and lack of administrative capability tend to frustrate this program.

Accomplishments - TAB E describes some selected accomplishments. As important as many of these are, the intangible and qualitative aspects are often more important. For instance, a high quality AID provincial representative, working with a good province chief but with relatively few commodities, can organize and inspire large groups of people. Or a good one in the face of major VC infiltration or terrorism can fail to win the people's support.


OFFICE OF THE DIRECTOR
DEPUTY DIRECTOR
SPECIAL ASSISTANT
ASSISTANT DIRECTOR FOR MANAGEMENT
ASSISTANT DIRECTOR CONTROLLER
ASSISTANT DIRECTOR FOR PROVINCIAL OPERATIONS
ASSISTANT DIRECTOR FOR LOGISTICS
ASSISTANT DIRECTOR FOR PROGRAM
PUBLIC HEALTH DIVISION
PUBLIC SAFETY DIVISION
EDUCATION DIVISION
AGRICULTURE DIVISION
PUBLIC WORKS DIVISION
PUBLIC ADMINISTRATION DIVISION
INDUSTRY DIVISION
REGIONAL DIRECTOR REGION I
REGIONAL DIRECTOR REGION II
REGIONAL DIRECTOR REGION III
REGIONAL DIRECTOR REGION IV
DIRECTORATE OF REFUGEES
PROVINCIAL REPRESENTATIVES
ASSISTANT PROVINCIAL REPRESENTATIVES

TAB A

AID-FINANCED PERSONNEL IN VIETNAM
(as of December, 1965)

	Total	Stationed in Provinces
U.S. Direct Hire	647	195
U.S. Citizens Under Contract	183	39
Third Country Nationals Under Contract	226	110
Military Detailed to AID		
STAT Personnel	26	26
ECAD Personnel	9	9
	1,091	379

U.S. ASSISTANCE PROGRAMS
(In Millions of Dollars)
(Obligations)

TAB B

	FY 1963	FY 1964	FY 1965
A.I.D.	143.6	165.7	224.9
Supporting Assistance	133.1	159.8	216.4
Commercial Import Program	95.0	113.0	150.7
Cash Grant	----	----	----
Counterinsurgency	38.1	46.8	65.7
Project	(4.1)	(8.7)	(15.1)
Non-project	(34.0)	(38.1)	(50.6)
Development Grants	10.5	5.9	8.5
Development Loans	- -	- -	- -
FOOD FOR PEACE (PL 480)	67.1	68.1	58.3
Title I Sales Agreements - - 1/	27.0	39.1	47.4
Exports Market Value Country Uses - - 90%	(24.3)	(35.2)	(42.7)
Title II (CCC Cost) 2/	34.8	26.8	6.1 4/
(Export Market Value - -Est.)	(16.5)	(17.3)	(5.6)
Section 201	(32.1)	(18.1)	(2.0)
Section 202	(2.7)	(8.7)	(6.0)
Title III (CCC Cost) 3/	5.3	2.2	4.8
(Export Market Value - - Est.)	(4.3)	(1.9)	(4.3)
TOTAL ECONOMIC ASSISTANCE	210.7	233.8	283.2

1/ Substantively similar in nature to Commercial Import Program, i.e., handled in commercial sector and generates counterpart.

2/ Basically counterinsurgency in nature, i.e., commodities have been used for relief, support of para-military dependents, pay-in-kind for rural rehabilitation work (including large amount for pig-corn developmental program in certain provinces).

3/ Relief commodities through US voluntary agencies. Partially counterinsurgency in nature as refugees are involved.

4/ Reduced new authorizations in FY 65 due to (a)discontinuance of feeding of para-military dependents at time of substantial para-military pay raise, and (b) substantial stocks in country or in pipeline from earlier authorizations.

TAB C

CURRENT AID ACTIVITIES

Agriculture

Agricultural Services & Extension
- Agriculture Extension
- Rural Youth
- Home Improvement
- Agricultural Information
- Agricultural Economics & Statistics

Crop & Livestock Production
- Crop Improvement (especially corn)
- Sugarcane & Kenaf
- Experiment Stations
- Soils & Fertilizer
- Plant Protection
- Livestock

Agricultural Credit & Cooperatives

Agricultural Resources Development
- Fisheries
- Farm Tools & Equipment
- Irrigation
- Forestry

Health — Voluntary medical programs (250 doctors).

Medical Education

Health Development
- Administration
- Training & Health Education
- Provincial Hospital Development (including US surgical teams)
- Malaria Eradication
- Nursing Education
- Village/Hamlet Health Stations

Education

Hamlet Schools
Instructional Materials
Vocational Education
Teacher Training
Rural Trade Schools
Hamlet Schools

Current AID Activities (cont.)

Public Works

Rural Wells
Electric Power (including NRECA)
Highways (new & rehab.)
Railway Sabotage Replacement
Port Development & Dredging
Air Traffic Control
Municipal Water Supply
Telecommunications

Public Safety

Village/Hamlet Radios

Public Safety Services
- Police
- Weapons
- Prison Rehabilitation
- Customs
- Highway Patrol
- Resource and Population Movement Control

Public Administration

Continued Improvement of National Institute of Administration
Tax Advice
Personnel Administration
Municipal Management Services
Training of National, Province, District, Village & Hamlet Officials

Labor
— Gleason's ILA mission.
Advisory Services
Participant Training
Printing Press for Labor Union

Industrial Development

Management Training
Industrial Development Center
Feasibility Studies
Feasibility Review of Requests for Machinery Imports through Commodity Import Program

Current AID Activities (cont.)

Provincial Operations

Resettlement & Refugees
Self-Help
Chieu Hoi (Rehabilitation of VC returnees)
Para-Military Dependents Support
Veterans Rehabilitation
Rural/Urban Social Action
Assistance to Montagnards

Development Loans

Saigon Metropolitan Area Water Supply
Vietnam Railway
Saigon Thermal Electric Power Plant

Food for Peace

Title II for refugees, food-for-work, disaster relief, etc.
Title III for orphans, hospitals, distribution through voluntary agencies

Transferred to JUSPAO

Commedia
- Motion Picture Improvement
- Upgrading Radio Programs
- Community Listening Sets
- Provincial Radio Stations
- Assistance to the Vietnamese Information Service

TAB D

FY 1965 Vietnamese Imports

Commodity	AID-Financed Commercial Import Program (Obligations)	GVN Licensing From Own Forex
Grain Prep.		$ 168,186
Malt		2,371,847
Edible Oils		55,657
Linseed Oil		231,821
Raw Sugar	$ 3,800,000	3,877,647
Sugar Products & Glucose		72,679
Canned Meats		52,003
Dairy Products	638,222	765,543
Fish & Fish Products		16,517
Seeds		124,596
Legumes & Vegetables		280,440
Fruits, Dried & Fresh		301,902
Beverage Materials		546,278
Yeast		175,833
Beverages		458,765
Essential Oils		547,997
Hops		644,594
Ined. Vegetable & Animal Products		80,099
Naval Stores	118,150	
Alcohol	173,777	
Nitrogenous Fertilizer	4,956,514	24,323
Potash Fertilizer	482,922	
Phosphate Fertilizer	5,015,559	338,984
Ammonium Phosphate	222,480	
Pesticides		326,147
Chinese Medicine		800,177
Pharmaceuticals	13,199,761	3,233,682
Chemicals	7,297,551	992,165
Pigments & Dyestuffs	500,000	2,525,355
Plastic Products & Raw Material	2,613,601	467,742
Yarns & Threads	3,800,000	21,402,275
Textile Fabrics	600,000	6,228,114
Linen Fabrics & Cordage		114,400
Plywood		393,005
Hardboards		267,074
Paper Products	1,420,000	3,822,644
Newsprint	1,312,480	
Coke & Coal	499,735	58,687
Petroleum Fuels	14,701,000	
Petroleum Non-Fuels	2,453,000	

Commodity	AID-Financed Commercial Import Program (Obligations)	GVN Licensing From Own Forex
Non-Metallic Minerals	$ 2,273,379	$ 1,302,681
Cement	9,124,465	
Glass Products		293,012
Clay Products		559,096
Iron & Steel Mill Products	36,025,181	
Misc. Iron & Steel Mfg. Products	2,596,407	328,344
Nickel		57,835
Tin		363,282
Zinc		409,229
Other Non-Ferrous Metals	3,245,732	125,115
Machinery Parts		1,498,466
Generators, Motors & Parts	1,549,018	
Refrigerators		227,197
Electrical Appliances	3,749,124	645,588
Radios		735,932
Engines, Turbines & Parts	8,791,558	90,456
Const., Mining, Convey. Equipment	1,399,873	3,107
Machine Tools & Parts	800,312	
Metal Working Machinery	248,780	2,198
Textile Machinery Parts	450,000	671,402
Industrial Machinery	4,999,637	10,046,823
Agri. & Food Equipment	348,034	
Air Conditioners		399,940
Office Machines		590,160
Balances & Scales		97,606
Sewing Machine Parts		473,304
Motor Vehicles & Parts	4,500,000	3,508,789
Passenger Cars		1,874,615
Misc. Vehicles & Parts (Motorbikes, etc.)	298,223	4,763,460
Bicycle Parts		1,866,032
Service Station Equipment		31,813
Tractor Parts	268,597	164,645
Aircraft Parts		988,076
Railway Transportation Equipment		3,296

Commodity	AID-Financed Commercial Import Program (Obligations)	GVN Licensing From Own Forex
Vessels & Equipment		$ 34,059
Scientific Appliances	$ 598,707	659,605
Books, Magazines	50,000	806,733
Office Supplies		798,906
Musical Instruments		73,789
Photographic Equipment		858,451
Motion Pictures		634,093
Watch Parts & Watches		438,850
Sporting Goods		186,343
Other Misc. Commodities		887,016
Tires, Tubes & Rubber Products	4,620,971	3,356,424
Emergency		850,169
Government Agencies		1,495,453
Ocean Transportation	1,250,000	
TOTAL	$150,992,761*	$94,968,709

* Not adjusted for minor final adjustments bringing total to $150,749,583.33. Excludes obligations from Master accounts of $1,867,132 prior year funds.

FY 1965 PL 480 Imports

	Licensing
Wheat Flour	$ 6,279,406
Milk, Evap. & Condensed	12,329,411
Dried Milk	111,294
Non-Fat Milk Solids	51,728
Tobacco	4,428,323
Raw Cotton	8,469,484
Rice	3,494,650
Other Dairy Products	160,157
TOTAL	$35,324,453 *

* Ten months total; other two months undistributed by commodity code and amount, thus making the total for the entire year $39,385,559.

TAB E

Selected Achievements

General

Despite major political upheavals, a government structure characterized by indecision, divisiveness, and cumbersome administrative practices, and continued political factionalism, Vietnam continues to make some progress. A remarkable feature of the Vietnamese economy has been the relative price stability until recent months, in spite of prolonged Communist insurgency and in the face of a rapidly expending money supply. The commercial import program has been the main tool used to cushion the inflationary pressures, supply needed raw materials and equipment and help finance the increasing GVN defense budget.

However, price stability may be endangered in the future by the large planned increase in defense expenditures, enlarged budget deficits, continuing rising money supply, a weakened reserve position, declining export earnings, and increased labor costs. The Vietnamese Government has shown a growing awareness of economic problems as exhibited in a greater willingness to drawdown on its own foreign exchange. Since December 1963 reserves declined from $179 million to about $115.0 million at present. In the spring of 1965, arrangements transferring greater program and fiscal authority to province chiefs were put into effect. Along with increased power they will have greater responsibility and more flexible tools of administration.

Medical

Twelve thousand five hundred village and hamlet health stations have been established and stocked with medicines; 8,000 of these are still operating with trained workers. Despite VC harrassment, population shifts due to resettlement, refugees, and military movement, malaria incidence has been held countryside to 1.57%, and 83% of the population subject to malaria risk is protected. Of the 28 surgical suites which have been constructed in 43 provincial hospitals, 15 are undergoing complete rehabilitation and 3 have been finished. Free World Assistance teams are operating in 7 suites. During the past 3 years 4200 new health subcenters have been added to service the districts and hamlets.

Medical education is being modernized and expanded. The first phase of a teaching center designed ultimately to graduate 200 doctors annually is on schedule; construction of a four-building basic sciences complex will be completed by the end of this calendar year.

Education

Over 9,000 elementary and secondary school classrooms have been built or expanded including 1,600 by aided self-help construction. Over 8,000,000 textbooks were distributed during the past three years.

A central polytechnic institution and three secondary level polytechnic schools have been constructed and equipped. Six other technical-vocational schools have been re-equipped. Today more than 9,000 students are receiving vocational training.

Four normal schools have been built and equipped to train 2,100 prospective elementary teachers per year. A 450 pupil elementary demonstration school has been completed. Two new "teacher training colleges" with a demonstration school, should be completed in 1965.

Public Safety

As of Aug. 31, 1965, the USOM aided National Police reached a force level of approximately 40,000. This represents a rise from 26,945 in Aug. 1964 and a solid approach to the year-end 1965 goal of 52,000.

As of Aug. 25, 1965, 8,301 communication radios were installed in a village/hamlet defense network and another 2,842 sets installed for security communications by the police and railroads. Installation of a single-side band radio system for long-range high frequency voice communications between the National Police in 5 provinces was completed in August of this year.

As of February 1965, the public safety program has carried out over 67,000 training sessions in basic police training, weaponry, riot control, and supporting skills.

Administration

Through provincial in-service training, 25,000 hamlet officials have been exposed to basic administration techniques. In 1964, with U.S. guidance, the GVN undertook fiscal management budgetary reforms and passed

Industry

Despite some discentives to long term investment in industrial projects the US financed during 1965 eight new industrial plants and 51 expansions of existing facilities totaling over $7 million of imported equipment against which Vietnamese investors deposited counterpart and financed required local costs. Cotton textile firms now spin and weave 90% of needs.

Transportation and Communication

A modern microwave telecommunications system has been completed linking Saigon by phone to the principal towns of the Delta. In the face of Viet Cong sabotage, over 45 bridges and culverts have been completed, more than 600 bridges have been repaired; 650 kilometers of secondary roads have been constructed; and 350 kilometers of major highways were rebuilt last year.

In order to provide support to the expanding military requirement the USOM purchased in FY 65 five dredges for work in developing ports and harbors, and also purchased 74 warehouses to store military supplies and implement the strategic stockpile concept.

Agriculture

Nearly 100,000 tons of fertilizer were distributed under the GVN credit fertilizer program. The loan repayments on fertilizer loans of last year have now reached 45 per cent of outstanding loans, and this in spite of continued weak management of the program on the GVN side and sharp reverses in the security situation in most of the country north of Saigon. Loan repayments in the delta, where security has improved, are good. This program, along with primary education and maternal child health care programs, are greatly desired by the rural population.

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